

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Expansion of Support Payments for Rice and New 2021 Rice Production Targets

**Country:** Japan

**Post:** Tokyo

**Report Category:** Agricultural Situation, Grain and Feed

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**Report Highlights:**

The Ministry of Agriculture, Forestry, and Fisheries (MAFF) added rice to its COVID-19 economic stimulus product sales promotion program in response to ongoing, weak demand for rice from the food service and home meal replacement sectors. MAFF also made changes to annual programs to extend the period of eligibility for table rice storage support payments and to make rice for manufacturing rice wine eligible for new support payments. MAFF adjusted the 2021 table rice production target downward in an effort to reduce privately held rice inventories.

## **COVID-19 Support Program – Additional Support for Rice Promotion**

On April 30, Japan's Diet approved a 545 billion yen (US\$5.2 billion<sup>1</sup>) supplementary budget for MAFF to support the food, agriculture, forestry and fisheries sectors affected by COVID-19, for more see [JA2020-0085](#). The budget allocated approximately 140 billion yen (\$1.3 billion) for the Sales Promotion of Domestic Products program, which is targeted at promoting excess domestic products and to develop new products for use by takeout and food delivery outlets, for more see [JA2020-0192](#). The program provides payments to cover costs associated with registering for online sales platforms, sales promotion campaigns, and delivery fees of promoted products to consumers. Products with increased inventories, falling or stagnating prices, or declining sales due to a decrease in the number of inbound visitors and exports are eligible for these support payment programs.

In November, MAFF expanded the list of products eligible for this program to include table rice. Rice producers and producer groups are eligible to receive support payments for rice up to the amount for which sales contracts were made with food service outlets but were changed or cancelled before November 18. Participants are eligible to receive two types of support payments to cover rice under the Sales Promotion of Domestic Products program.

### Online Sales Promotion Program in Japan

MAFF pays the delivery fee for consumers when they purchase rice from producers and wholesalers through registered E-Commerce malls and shops. Rice sold online by December 11, 2020 and delivered by January 17, 2021 is eligible to receive support payments.

### Regional Creativity Sales Promotion Program

Local governments, producer associations, cooperatives, companies, non-profit organizations, and industry associations are eligible to receive support payments from MAFF to implement 14-day sales campaigns to increase consumption of eligible products, including rice. MAFF's stated goal is to increase serving sizes and allow restaurants and retail outlets to discount prices. MAFF provides support payments to cover half the cost of procuring designated products for sales promotion campaigns, but for rice limits payments to up to 5,300 yen (\$51) per 60 kilograms (brown basis).<sup>2</sup> MAFF will also cover half the cost of labor, advertisements, and equipment and facility rental fees used for promotional events. Applicants must apply by November 30 and complete the campaign by January 31, 2021.

## **Adjustments to Rice Support Programs**

### Year-Round Supply and Demand Expansion Program

The Year-Round Supply and Demand Expansion Program for rice is operated by MAFF and provides producer groups and wholesalers with: (1) payments to support storage for table rice that have a long-

<sup>1</sup> The exchange rate used for this report is 104 yen/USD.

<sup>2</sup> The average wholesale purchase price was 15,065 yen (\$144.8) per 60 kilograms (brown) in October 2020.

term sales plan; (2) payments to promote the sale of rice for exports and rice used for the food service and home meal replacement industries, and; (3) storage costs for rice which was produced as table rice but will be sold as a rice product other than table rice, such as for feed or processing. Five billion yen (\$48 million) was allocated for this program under the JFY2020 MAFF annual budget, for more on the budget see [JA2020-0064](#).

In June, MAFF revised the supply and demand expansion program to make rice suitable for manufacturing *nihonshu* (rice wine) from the 2019 and 2020 crop eligible for storage cost support payments. The COVID-19 pandemic weakened demand for *nihonshu* overseas and exports have dwindled, resulting in increased inventories of rice suitable for manufacturing *nihonshu*.<sup>3</sup>

In November, MAFF further revised the program to extend the eligible storage period by five months, moving-up the first month of eligibility for the 2020 table rice crop from April 2021 to November 2020. The revised program also extends support payments for storage costs for the 2019 crop for which sales contracts were cancelled. The Japan Agriculture Cooperatives Group announced plans to set aside 200,000 metric tons of the 2020 crop and will store it until November 2021 using this support payment.

#### Direct Payments for Rice Paddy Utilization

MAFF operates the Direct Payments for Rice Paddy Utilization program to provide support payments to producers who convert production in paddy fields from table rice to other crops, such as wheat, barley, soybeans, vegetables, and rice for other purposes. The payments supplement producer earnings to match the total income that would have been earned if the producer had planted table rice. Approximately 305 billion yen (\$2.9 billion) is allocated to this program under the JFY2020 annual budget.

In May, MAFF revised the Direct Payments for Rice Paddy Utilization program to allow support payments to farmers who produce rice suitable for manufacturing *nihonshu* when their product is sold as rice for processing and rice for manufacturing rice flour.<sup>4</sup> Rice suitable for manufacturing *nihonshu* is typically traded at higher prices than table rice and is not a conversion crop eligible for this program. MAFF also added rice suitable for manufacturing *nihonshu* intended for exports to the list of eligible products for this support payment.

	Product Conversion Support Payment
Rice for Processing	20,000 yen/10 are (\$192/.1 ha)
Rice for Manufacturing Flour	55,000-105,000 yen/10 are (\$52-\$1,009.6/.1 ha)

<sup>3</sup> Rice suitable for manufacturing *nihonshu* is designated by the combination of varieties and production regions (prefectures) under MAFF’s Agricultural Products Inspection Standards.

<sup>4</sup> “Rice for processing” can use to make *nihonshu* but “rice suitable for manufacturing *nihonshu*” is not covered by “rice for processing” and is not normally eligible for the support payment.

## **June 2021 Rice Inventory Estimates Swells to Over 2 Million Tons**

MAFF estimates June 2021 privately held table rice inventories will swell to between 2.07 – 2.12 million tons, an increase of 70,000 – 120,000 tons from June 2020. MAFF estimates 2020 table rice production to be 7.23 million tons (brown basis), and the harvested area at 1.37 million hectares, down 32,000 tons and 13,000 hectares respectively from 2019.<sup>5</sup> Despite decreased production, the total supply in the 2020/21 marketing year is estimated to exceed demand and increase private inventories. In order to reduce June 2022 inventories below two million tons, MAFF established a 2021 table rice production target of 6.93 million tons, a 300,000 ton drop from 2020 production.

### **Attachments:**

No Attachments.

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<sup>5</sup> MAFF publishes production estimates in October of each crop year. In November, MAFF publishes supply and demand estimates for table rice for the year between July and June and establishes a national production target for the following year based on the estimated June inventories.